

FOR RELEASE Traer Star Clipper, City of Traer, Iowa

Lines Murphy & Company, P. L. C., of Osage today released an audit report on the City of Traer, Iowa.

The City's receipts totaled \$2,441,590 for the year ended June 30, 2008, a 38 percent increase from 2007. The receipts included \$568,025 in property tax, \$286,726 from charges for service, \$137,422 from operating grants, \$91,259 from local option sales tax, \$52,549 from unrestricted investment earnings, \$746,250 in debt proceeds, and \$541,359 from other general receipts. The Traer Enterprise Fund, Sewer receipts equaled \$5,742. Traer Municipal Utilities receipts totaled \$2,957,168. Traer Ambulance Service receipts totaled \$36,717.

City disbursements for the year totaled \$1,947,463, a 4.0 percent increase from the prior year, and included \$518,952 for capital projects, \$348,085 for public works, \$241,390 for public safety and \$290,524 for debt service. Disbursements for the Traer Enterprise Fund, Sewer totaled \$63,820. Disbursements for Traer Municipal Utilities totaled \$2,610,523. Traer Ambulance Service disbursements equaled \$36,041.

A copy of the audit report is available for review in the Office of Auditor of State and the City Clerk's office.

CITY OF TRAER
INDEPENDENT AUDITORS' REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

JUNE 30, 2008

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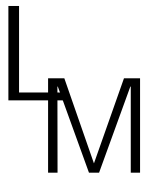
City of Traer

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2008)		
Russell L. Drinovsky	Mayor	Jan 2008
Mark A. Mason	Mayor Pro tem	Jan 2008
Dean R. Ohrt	Council Member	Jan 2008
Mark A. Mason	Council Member	Jan 2008
Raymond Mundt	Council Member	Jan 2008
Patty Guzman	Council Member	Jan 2010
Lou Rausch	Council Member	Jan 2010
Jon Panfil	City Clerk	Indefinite
Dorothy Weida	Deputy Clerk	Indefinite
Marc Powell	City Attorney	Indefinite
Cecilia Harmsen	City Treasurer	Indefinite
Bruce A. Overton	TMU Trustee/Chairman	Jan 2013
Daniel M. Larmore	TMU Trustee/Vice Chairman	Jan 2008
Joe Morris	TMU Trustee	Jan 2009
Sandra J. Whannel	TMU Trustee	Jan 2010
Richard Thompson	TMU Trustee	Jan 2012
Pat Stief	General Manager	Indefinite
Jon Panfil	Office Manager	Indefinite

(After January 2008)

Russell L. Drinovsky	Mayor	Jan 2010
Mark A. Mason	Mayor Pro tem	Jan 2010
Patty Guzman	Council Member	Jan 2010
Lou Rausch	Council Member	Jan 2010
Jake Schmitt	Council Member	Jan 2012
Mark A. Mason	Council Member	Jan 2012
Raymond Mundt	Council Member	Jan 2012
Jon Panfil	City Clerk/Treasurer	Indefinite
Dorothy Weida	Deputy Clerk	Indefinite
Bruce Reinders	City Attorney	Indefinite
Bruce A. Overton	TMU Trustee/Chairman	Jan 2013
Daniel M. Larmore	TMU Trustee/Vice Chairman	Jan 2014
Joe Morris	TMU Trustee	Jan 2009
Sandra J. Whannel	TMU Trustee	Jan 2010
Richard Thompson	TMU Trustee	Jan 2012
Pat Stief	General Manager	Indefinite
Jon Panfil	Office Manager	Indefinite



LINES MURPHY & COMPANY, P.L.C.

Certified Public Accountants

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Osage, IA 50461-1307

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Independent Auditors' Report

To the Honorable Mayor, Members of the City Council and
Board of Trustees, Traer Municipal Utilities:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, the aggregate discretely presented component unit and the aggregate remaining fund information of the City of Traer, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents. These financial statements are the responsibility of the City of Traer's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, each major fund, the aggregate discretely presented component unit and the aggregate remaining fund information of the City of Traer as of June 30, 2008, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated November 21, 2008 on our consideration of the City of Traer's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 9 and 23 through 25 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Traer's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2007 (which are not presented herein) and expressed unqualified opinions on those financial statements which were prepared in conformity with an other comprehensive basis of accounting. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Lines Murphy & Company, P. L. C.
Certified Public Accountants
Osage, Iowa
November 21, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Traer provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

The reader should consider that this Management's Discussion and Analysis places focus on the primary government and little focus, if any, on the component units.

2008 FINANCIAL HIGHLIGHTS

- Receipts of the City's governmental activities increased 38.0%, or approximately \$672,000, from fiscal 2007 to fiscal 2008. Property tax increased approximately \$18,000.
- Disbursements of the city's governmental activities increased 4.0%, or approximately \$74,000, in fiscal 2008 from fiscal 2007. Public works, culture and recreation and community and economic development increased approximately \$15,000, \$28,000 and \$95,000, respectively.
- The City's total cash basis net assets increased 4.3%, or approximately \$817,000 from June 30, 2007 to June 30, 2008. Of this amount, the assets of the governmental activities increased approximately \$490,000 and the assets of the business type activities increased approximately \$327,000.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

Basis of Accounting

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- Governmental Activities include public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.
- Business Type Activities include electric, water, and the sewer system. These activities are financed primarily by user charges.

Fund Financial Statements

The City has two kinds of funds:

- 1) Governmental funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Local Option Sales Tax, 3) the Debt Service Fund and 4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statements for governmental funds include a statement of cash receipts, disbursements and changes in cash balances.

- 2) Proprietary funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains four Enterprise Funds to provide separate information for the electric, water, sewer and sewer City funds, considered to be major funds of the City. At this time, three of the proprietary funds are maintained by the Traer Municipal Utilities and the City maintains the City sewer fund.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from \$997,000 to \$1,487,000. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)		
	Year ended June 30,	
	2008	2007
Receipts and transfers:		
Program receipts:		
Charges for service	\$ 287	\$ 274
Operating grants, contributions and restricted interest	137	134
General receipts:		
Property tax	586	568
Local option sales tax	91	91
Unrestricted investment earnings	52	43
Bond proceeds	746	-
Other general receipts	541	658
Transfers, net	(4)	160
Total receipts and transfers	<u>\$ 2,436</u>	<u>\$ 1,928</u>
Disbursements:		
Public safety	\$ 241	\$ 238
Public works	348	333
Health and social services	9	9
Culture and recreation	181	153
Community and economic development	226	131
General government	132	135
Debt service	290	322
Capital projects	519	551
Total disbursements	<u>\$ 1,946</u>	<u>\$ 1,872</u>
Increase/(Decrease) in cash basis net assets	\$ 490	\$ 56
Cash basis net assets beginning of year	<u>997</u>	<u>941</u>
Cash basis net assets end of year	<u>\$ 1,487</u>	<u>\$ 997</u>

The City's total receipts for governmental activities increased by 38.0%, or approximately \$672,000. The total cost of all programs and services increased by approximately \$73,000, or 3.9%, with no new programs added this year. The significant increase in the receipts was primarily the result of proceeds received from the issuance of \$750,000 in G.O bonds.

The cost of all governmental activities this year was \$1.946 million compared to \$1.872 million last year. However, as shown in the Statement of Activities and Net Assets on pages 9-10, the amount taxpayers ultimately financed for these activities was \$1.522 million because some of the cost was paid by those directly benefited from the programs (\$287,000) or by other governments and organizations that subsidized certain programs with grants, contributions and restricted interest (\$137,000).

Changes in Cash Basis Net Assets of Business Type Activities (Expressed in Thousands)		
	Year ended June 30,	
	2008	2007
Receipts		
Program receipts:		
Charges for service		
Electric	\$ 2,451	\$ 2,205
Water	382	424
Sewer	125	124
Sewer City	-	-
Capital grants, contributions and restricted interest	-	-
General receipts:		
Unrestricted interest on investments	40	39
Bond proceeds	-	-
Other general receipts	-	-
Total receipts	<u>\$ 2,998</u>	<u>\$ 2,792</u>
Disbursements:		
Electric	\$ 2,176	\$ 2,212
Water	341	313
Sewer	94	127
Sewer City	64	-
Total disbursements	<u>\$ 2,675</u>	<u>\$ 2,652</u>
Change in cash basis net assets before transfers	\$ 323	\$ 140
Transfers, net	<u>4</u>	<u>(160)</u>
Change in cash basis net assets	\$ 327	\$ (20)
Cash basis net assets beginning of year	<u>907</u>	<u>927</u>
Cash basis net assets end of year	<u>\$ 1,234</u>	<u>\$ 907</u>

The total business type activities receipts for the fiscal year were \$2.998 million compared to \$2.792 million last year. This increase was due primarily to higher electrical charges. The cash balance increased by approximately \$327,000 from the prior year.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Traer completed the year, its governmental funds reported a combined fund balance of \$1,487,087, an increase of slightly more than \$490,000 above last year's total of \$997,051. The following is the major reason for the changes in fund balances of the major funds from the prior year.

- The Prairie West and Street Improvement Capital Project fund balance increased sharply by \$600,410. The large increase was the result of \$746,250 in bond proceeds for street improvements.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget one time, increasing budgeted expenditures by \$215,000. The amendment was approved on May 5, 2008 to provide for additional disbursements in certain City and Utility departments. The city had sufficient cash balances to absorb these additional costs.

The City's receipts were \$50,331 less than budgeted. This was primarily due to the City receiving less than anticipated in miscellaneous revenues.

The City's budgeted disbursements exceeded actual disbursements by \$906,899. Actual disbursements in Capital Projects were \$531,048 less than the amended budget. This was primarily due the City delaying expenditures for street improvements.

DEBT ADMINISTRATION

At June 30, 2008, the City and Utilities had approximately \$4,833,000 in bonds and other long-term debt, compared to approximately \$4,438,000 last year, as shown below.

Outstanding Debt at Year-End (Expressed in Thousands)		
	June 30,	
	2008	2007
General obligation bonds	\$ 2,395	\$ 1,840
Component Unit bonds/notes	1,765	1,891
State revolving loan	673	707
Total	<u>\$ 4,833</u>	<u>\$ 4,438</u>

Debt increased as a result of issuing general obligation bonds for street improvements. The Constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation and TIF debt of \$2,395,000 is below its constitutional debt limit of \$3.868 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Traer's elected and appointed officials considered many factors when setting the fiscal year 2009 budget, tax rates and fees that will be charged for various City activities. The City Council was facing continued state funding cutbacks, as well as another decrease in the "residential rollback", which affects the taxable value of properties in the city.

Taxable value in the City of Traer increased 2.6%, from \$40.895 million to \$41.965 million. Tax revenues were budgeted to increase approximately \$70,000 in FY09. The tax rate increased 9% (from \$14.416 to \$15.733). This increase was the result of a higher debt service levy, as the city was borrowing funds to make street improvements. Total revenues were projected to decrease by \$930,000, as FY08 included a G.O. Bond issue and continued federal funding of two ongoing water projects, which were not anticipated to carry over to FY09. Expenditures were projected to decrease by about \$350,000. Overall, cash balances were expected to decrease by \$500,000 - 600,000, as the funds obtained through the G.O. issuance were expended on street projects.

The Traer Municipal Utilities Board approved a budget with overall revenues down by \$50,000. The Utilities Board approved a three-year electric rate increase, due to significant increases in the cost of purchased power. These increases will be somewhat offset by a loss of approximately \$300,000 in Industrial sales, as a result of the closing of a major employer in town. Cash balances are projected to remain relatively flat for the three-year period.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jon Panfil, City Clerk, 649 Second Street, City of Traer, Iowa 50675.

City of Traer

Statement of Activities and Net Assets – Cash Basis

As of and for the year ended June 30, 2008

	<u>Disbursements</u>
Functions / Programs:	
Governmental activities:	
Public safety	\$ 241,390
Public works	348,085
Health and social services	9,469
Culture and recreation	181,152
Community and economic development	226,156
General government	131,735
Debt service	290,524
Capital projects	<u>518,952</u>
Total governmental activities	<u>\$ 1,947,463</u>
Business type activities:	
Electric	\$ 2,175,597
Water	341,094
Sewer	93,832
Sewer City	<u>63,820</u>
Total business type activities	<u>\$ 2,674,343</u>
Component unit: Traer Ambulance Services	<u>\$ 36,041</u>
Total component units	<u>\$ 36,041</u>
Total	<u><u>\$ 4,657,847</u></u>
General Receipts:	
Property tax levied for:	
General purposes	
Tax increment financing	
Debt service	
Local option sales tax	
Unrestricted interest on investments	
Bond proceeds	
Miscellaneous	
Transfers	
Total general receipts and transfers	
Change in cash basis net assets	
Cash basis net assets beginning of year	
Cash basis net assets end of year	

See notes to financial statements.

Exhibit A

Program Receipts			Net (Disbursements) Receipts and Changes in Cash Basis Net Assets			Aggregate Discretely Presented Component Units
Charges for Service	Operating Grants, Contributions, and Restricted Interest	Capital Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total	
\$ 123,690	\$ -	\$ -	\$ (117,700)	\$ -	\$ (117,700)	\$ -
139,312	136,562	-	(72,211)	-	(72,211)	-
7,320	-	-	(2,149)	-	(2,149)	-
13,146	860	-	(167,146)	-	(167,146)	-
2,698	-	-	(223,458)	-	(223,458)	-
560	-	-	(131,175)	-	(131,175)	-
-	-	-	(290,524)	-	(290,524)	-
-	-	-	(518,952)	-	(518,952)	-
<u>\$ 286,726</u>	<u>\$ 137,422</u>	<u>\$ -</u>	<u>\$ (1,523,315)</u>	<u>\$ -</u>	<u>\$ (1,523,315)</u>	<u>\$ -</u>
\$ 2,450,756	\$ -	\$ -	\$ -	\$ 275,159	\$ 275,159	\$ -
381,777	-	-	-	40,683	40,683	-
124,635	-	-	-	30,803	30,803	-
-	-	-	-	(63,820)	(63,820)	-
<u>\$ 2,957,168</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 282,825</u>	<u>\$ 282,825</u>	<u>\$ -</u>
\$ 19,396	\$ 17,321	\$ -	\$ -	\$ -	\$ -	\$ 676
\$ 19,396	\$ 17,321	\$ -	\$ -	\$ -	\$ -	\$ 676
<u>\$ 3,263,290</u>	<u>\$ 154,743</u>	<u>\$ -</u>	<u>\$ (1,523,315)</u>	<u>\$ 282,825</u>	<u>\$ (1,240,490)</u>	<u>\$ 676</u>
			\$ 460,223	\$ -	\$ 460,223	\$ -
			-	-	-	-
			125,802	-	125,802	-
			91,259	-	91,259	-
			52,549	40,271	92,820	-
			746,250	-	746,250	-
			541,359	-	541,359	-
			(4,091)	4,091	-	-
			<u>\$ 2,013,351</u>	<u>\$ 44,362</u>	<u>\$ 2,057,713</u>	<u>\$ -</u>
			\$ 490,036	\$ 327,187	\$ 817,223	\$ 676
			997,051	906,638	1,903,689	55,202
			<u>\$ 1,487,087</u>	<u>\$ 1,233,825</u>	<u>\$ 2,720,912</u>	<u>\$ 55,878</u>
			\$ 600,410	\$ -	\$ 600,410	\$ -
			13,545	406,033	419,578	-
			873,132	827,792	1,700,924	55,878
			<u>\$ 1,487,087</u>	<u>\$ 1,233,825</u>	<u>\$ 2,720,912</u>	<u>\$ 55,878</u>

City of Traer
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Governmental Funds

As of and for the year ended June 30, 2008

	General
Receipts:	
Property tax	\$ 460,223
Tax increment financing collections	-
Other city tax	7,806
Licenses and permits	560
Use of money and property	22,203
Intergovernmental	497,873
Charges for service	286,166
Miscellaneous	36,541
Total receipts	<u>\$ 1,311,372</u>
Disbursements:	
Operating:	
Public safety	\$ 241,390
Public works	159,017
Health and social services	9,469
Culture and recreation	181,152
Community and economic development	139,948
General government	131,735
Debt service	-
Capital projects	-
Total disbursements	<u>\$ 862,711</u>
Excess (deficiency) of receipts over (under) disbursements	<u>\$ 448,661</u>
Other financing sources (uses):	
Operating transfers in	\$ 96,052
Operating transfers out	(677,296)
Bond proceeds	-
Total other financing sources (uses)	<u>\$ (581,244)</u>
Net change in cash balances	<u>\$ (132,583)</u>
Cash balances beginning of year	<u>891,188</u>
Cash balances end of year	<u><u>\$ 758,605</u></u>
Cash Basis Fund Balances	
Reserved:	
Debt service	\$ -
Unreserved:	
General fund	758,605
Special revenue funds	-
Capital projects fund	-
Total cash basis fund balances	<u><u>\$ 758,605</u></u>

See notes to financial statements.

Exhibit B

Special Revenue		Capital Project	Other Nonmajor	
Road		Prairie West	Governmental	
Use	Debt	and Street	Funds	
Tax	Service	Improvement	LOST	Total
\$ -	\$ 125,802	\$ -	\$ -	\$ 586,025
-	-	-	-	-
-	-	-	91,259	99,065
-	-	-	-	560
-	643	29,702	-	52,548
136,562	-	-	-	634,435
-	-	-	-	286,166
-	-	-	-	36,541
<u>\$ 136,562</u>	<u>\$ 126,445</u>	<u>\$ 29,702</u>	<u>\$ 91,259</u>	<u>\$ 1,695,340</u>
\$ -	\$ -	\$ -	\$ -	\$ 241,390
189,068	-	-	-	348,085
-	-	-	-	9,469
-	-	-	-	181,152
-	-	-	86,208	226,156
-	-	-	-	131,735
-	290,524	-	-	290,524
-	-	518,952	-	518,952
<u>\$ 189,068</u>	<u>\$ 290,524</u>	<u>\$ 518,952</u>	<u>\$ 86,208</u>	<u>\$ 1,947,463</u>
<u>\$ (52,506)</u>	<u>\$ (164,079)</u>	<u>\$ (489,250)</u>	<u>\$ 5,051</u>	<u>\$ (252,123)</u>
\$ 52,586	\$ 176,607	\$ 343,410	\$ 4,550	\$ 673,205
-	-	-	-	(677,296)
-	-	746,250	-	746,250
<u>\$ 52,586</u>	<u>\$ 176,607</u>	<u>\$ 1,089,660</u>	<u>\$ 4,550</u>	<u>\$ 742,159</u>
\$ 80	\$ 12,528	\$ 600,410	\$ 9,601	\$ 490,036
(80)	1,017	-	104,926	997,051
<u>\$ -</u>	<u>\$ 13,545</u>	<u>\$ 600,410</u>	<u>\$ 114,527</u>	<u>\$ 1,487,087</u>
\$ -	\$ 13,545	\$ -	\$ -	\$ 13,545
-	-	-	-	758,605
-	-	600,410	114,527	714,937
-	-	-	-	-
<u>\$ -</u>	<u>\$ 13,545</u>	<u>\$ 600,410</u>	<u>\$ 114,527</u>	<u>\$ 1,487,087</u>

Exhibit C

City of Traer
Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Proprietary Funds

As of and for the year ended June 30, 2008

	Enterprise Funds					
	Traer Municipal Utilities				City	Total
	Electric	Water	Sewer	Sub-Total	Sewer	
Operating receipts:						
Charges for service	\$ 2,450,756	\$ 381,777	\$ 124,635	\$ 2,957,168	\$ -	\$ 2,957,168
Operating disbursements:						
Business type activities	2,018,469	289,440	93,832	2,401,741	-	2,401,741
Excess (deficiency) of operating receipts over (under) operating disbursements	\$ 432,287	\$ 92,337	\$ 30,803	\$ 555,427	\$ -	\$ 555,427
Non-operating receipts (disbursements):						
Interest on investments	\$ 22,463	\$ 7,264	\$ 4,802	\$ 34,529	\$ 5,742	\$ 40,271
Intergovernmental	-	-	-	-	-	-
Debt Service	(157,128)	(51,654)	-	(208,782)	(63,820)	(272,602)
Net non-operating receipts (disbursements)	\$ (134,665)	\$ (44,390)	\$ 4,802	\$ (174,253)	\$ (58,078)	\$ (232,331)
Excess (deficiency) of receipts over (under) disbursements	\$ 297,622	\$ 47,947	\$ 35,605	\$ 381,174	\$ (58,078)	\$ 323,096
Operating transfers in	\$ 45,925	\$ 3,194	\$ 46,268	\$ 95,387	\$ 190,913	\$ 286,300
Operating transfers out	(145,439)	(35,770)	(101,000)	(282,209)	-	(282,209)
Net operating transfers	\$ (99,514)	\$ (32,576)	\$ (54,732)	\$ (186,822)	\$ 190,913	\$ 4,091
Net change in cash balances	\$ 198,108	\$ 15,371	\$ (19,127)	\$ 194,352	\$ 132,835	\$ 327,187
Cash balances beginning of year	607,811	160,487	138,340	906,638	-	906,638
Cash balances end of year	\$ 805,919	\$ 175,858	\$ 119,213	\$ 1,100,990	\$ 132,835	\$ 1,233,825
Cash Basis Fund Balances						
Reserved for debt service	\$ 176,572	\$ 96,626	\$ -	\$ 273,198	\$ 132,835	\$ 406,033
Unreserved	629,347	79,232	119,213	827,792	-	827,792
Total cash basis fund balances	\$ 805,919	\$ 175,858	\$ 119,213	\$ 1,100,990	\$ 132,835	\$ 1,233,825

See notes to financial statements

City of Traer

Notes to Financial Statements

June 30, 2008

(1) Summary of Significant Accounting Policies

The City of Traer is a political subdivision of the State of Iowa located in Tama County. It was first incorporated in 1873 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, health and social services, culture and recreation, community and economic development, and general government services.

A. Reporting Entity

For financial reporting purposes, the City of Traer has included all funds, organizations, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City.

These government financial statements present the City of Traer (the primary government), the Traer Municipal Utility (its' enterprise funds), and the Traer Ambulance Service (its' component unit). The component unit discussed below is included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

Discretely Presented Component Unit

Traer Ambulance Service is presented in a separate column to emphasize that it is a legally separate entity, but is financially accountable to the City, or whose relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The Traer Ambulance Service is a not-for-profit organization. Most revenues are generated from private donations given by individuals and businesses in the area.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Tama County Assessor's Conference Board, City Assessor's Conference Board, Tama County Emergency Management Commission, Tama County Landfill Commission and Tama County Joint E911 Service Board.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in two categories:

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the preceding category. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrate the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements – Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

Special Revenue:

The Road Use Tax Fund is used to account for road construction and maintenance.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general obligation long-term debt.

The Prairie West and Street Improvement Fund is used to account for the new development capital project.

The City reports the following major proprietary funds:

The Electric Fund accounts for the operation and maintenance of the City's electrical and telecommunications system.

The Water Fund accounts for the operation and maintenance of the City's water system.

The Sewer Fund accounts for the operation and maintenance of the City's waste water treatment and sanitary sewer system.

The Sewer Fund for the City accounts for principal and interest payments of the Sewer Revenue Bonds.

C. Measurement Focus and Basis of Accounting

The City of Traer maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in health and social services, and culture and recreation.

(2) Cash and Pooled Investments

The City's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

In addition, the City and Traer Municipal Utilities had investments in the Iowa Public Agency Investment Trust, which are valued at an amortized amount of \$1,376,070 and \$994,387 respectively, pursuant to rule 2a-7 under the Investment Company Act of 1940. Also, the City of Traer has invested \$15,000 in U. S. Treasury Series HH Savings Bonds.

Interest rate risk – The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) in instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days but the maturities shall be consistent with the needs and use of the City.

Credit risk – The City's investment in the Iowa Public Agency Investment Trust is unrated.

(3) Note Receivable

The City of Traer has entered into a 28E agreement with its component unit Traer Municipal Utilities, the Traer Development Corporation and the Traer Chamber of Commerce, Inc. The purpose of this agreement is to acquire, finance and develop real estate ("Prairie West Fourth and Fifth Additions") and to then market the developed lots to the general public in order to promote the economic development of the City of Traer, Iowa. The City paid for the construction of streets, storm sewers, sanitary sewers and other related improvements in and around "Prairie West Fourth and Fifth Additions" in the amount of approximately \$1,700,000. The City has received a non-interest bearing mortgage note from the Traer Chamber of Commerce, Inc. for \$1,700,000. The balance on this mortgage note receivable as of June 30, 2008 was \$1,540,198. Payments received during the year ended June 30, 2008 were \$18,242, and expenses related to the lots were \$0. This is a non-recourse note, payable upon demand by the City. Proceeds from the sale of residential lots are expected to be used for repayment.

(4) Bonds and Notes Payable

Annual debt service requirements to maturity for general obligation bonds, revenue bonds/notes and the state revolving loan are as follows:

Year Ending June 30,	General Obligation Bonds		Revenue Bonds/Notes		State Revolving Loans		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 265,000	\$ 97,686	\$ 132,696	\$ 77,685	\$ 36,000	\$ 27,886	\$ 433,696	\$ 203,257
2010	275,000	87,230	139,081	72,835	37,000	26,390	451,081	186,455
2011	200,000	76,188	145,535	67,421	39,000	24,851	384,535	168,460
2012	225,000	68,781	152,062	61,467	41,000	23,239	418,062	153,487
2013	220,000	60,546	158,665	55,064	43,000	21,541	421,665	137,151
2014-2018	1,050,000	167,358	905,322	163,279	240,000	79,668	2,195,322	410,305
2019-2023	160,000	7,544	131,367	12,739	237,000	25,511	528,367	45,794
Total	\$ 2,395,000	\$ 565,333	\$ 1,764,728	\$ 510,490	\$ 673,000	\$ 229,086	\$ 4,832,728	\$ 1,304,909

The Code of Iowa requires principal and interest on general obligation bonds be paid from the Debt Service Fund.

The resolutions providing for the issuance of the revenue bonds/notes include the following provisions.

- (a) The bonds/notes will only be redeemed from the future earnings of the enterprise activity and the bonds/notes holders hold a lien on the future earnings of the funds.

- (b) Sufficient monthly transfers shall be made to separate electric, water and sewer bond sinking accounts within the Enterprise Funds for the purpose of making the bonds/notes principal and interest payments when due.
- (c) Additional monthly transfers shall also be made to the electric, water and sewer reserve accounts to accumulate amounts equal to the maximum principal and interest due in any succeeding fiscal year. These accounts are restricted for the purpose of paying for any additional improvements, extensions or repairs to the system.

(5) Pension and Retirement Benefits

The City and the Utilities contribute to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 3.90% of their annual covered salary and the City is required to contribute 6.05% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City and the Utilities contributions to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$43,064, \$37,663, and \$34,447, respectively, equal to the required contributions for each year.

(6) Compensated Absences

City employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave termination payments payable to employees at June 30, 2008, primarily relating to the General Fund, is as follows:

Type of Benefit	Amount
Vacation	\$ 8,392
Sick leave	<u>590</u>
Total	<u>\$ 8,982</u>

This liability has been computed based on rates of pay in effect at June 30, 2008.

The Utilities' approximate liability for earned vacation and sick leave payments payable to employees at June 30, 2008 is as follows:

Type of Benefit	Amount
Vacation	\$ 32,575
Sick leave	<u>2,541</u>
Total	<u>\$ 35,116</u>

(7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Special Revenue:		
Road Use Tax	General	\$ 52,586
Local Option Sales Tax	General	<u>4,550</u>
		<u>\$ 57,136</u>
Debt Service	General	<u>\$ 85,837</u>
Capital Projects	General	<u>\$ 343,410</u>
City Sewer	General	<u>\$ 190,913</u>
Debt Service	TMU	<u>\$ 90,770</u>
General	TMU	<u>\$ 96,052</u>
Total		<u>\$ 864,118</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

(8) Risk Management

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Contingent Liabilities

The City of Traer is in the process of an environmental contamination cleanup. The costs associated with this cleanup cannot be estimated at this time, as this is an ongoing project. Total costs for the fiscal year ending June 30, 2008 were \$278,303 of which \$276,733 has been reimbursed by a state agency. Net costs to the City of Traer for June 30, 2008 were \$1,670.

(10) Tama County Solid Waste Disposal Commission

The City in conjunction with other municipalities in Tama County has created the Tama County Solid Waste Disposal Commission. The Commission was established for the primary purpose of providing for the collection and disposal of solid waste produced or generated by each participant. On dissolution of the corporation, the net assets of the Commission will be prorated among the municipalities. The Commission is governed by a board composed of an elected representative of the governing body of each participating governmental jurisdiction. The Commission has accumulated \$1,976,806 for closure/post closure expenditures. However, the Commission may not be accumulating sufficient financial resources and the participating governments may be obligated for a proportionate share of the debt, therefore, the City of Traer may have an ongoing financial responsibility. The City is also obligated to remit a share of the operating and administration costs. During the year ended June 30, 2008 the City of Traer paid the Tama County Solid Waste Disposal Commission \$8,767. The Commission is then responsible for paying all landfill fees for the City's share of the cost. Completed financial statements for the

Commission can be obtained from the Tama County Solid Waste Disposal Commission.

(11) Construction Commitment

As of June 30, 2008, the City, including its component unit, had \$129,771 in construction commitments.

(12) Interdepartmental Loans

Water Control Project

The Enterprise Fund, Electric Utilities has loaned the Enterprise Fund, Water Utility \$60,000 for the water control project. This loan is a non-interest bearing note, payable from the revenue of the water fund. No payment schedule has been established.

(13) Related Party Transactions

The City had business transactions between the City and City officials totaling \$21,069 during the fiscal year ended June 30, 2008.

(14) Subsequent Events

The City will be redoing the lift station. The project is in the early planning phase and no costs have yet been estimated.

(15) Component Unit Detail

The Traer Municipal Utilities and the Traer Ambulance Service are component units of the City of Traer. The Statement of Cash Receipts, Disbursements and Changes in Cash Balances for the year ended June 30, 2008 are included in Exhibit C. Activity between the City and its component units are as follows:

City paid to Ambulance Service

Meetings and calls	<u>\$ 17,871</u>
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City paid to the Utilities	<u>\$ 164,829</u>
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Utilities paid to the City	<u>\$ 331,343</u>
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City of Traer
 Budgetary Comparison Schedule
 of Receipts, Disbursements, and Changes in Balances –
 Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2008

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Property tax	\$ 586,025	\$ -
Tax increment financing collections	-	-
Other city tax	99,065	-
Licenses and permits	560	-
Use of money and property	52,548	40,271
Intergovernmental	634,435	-
Charges for service	286,166	2,957,168
Miscellaneous	36,541	-
Total receipts	<u>\$ 1,695,340</u>	<u>\$ 2,997,439</u>
Disbursements:		
Public safety	\$ 241,390	\$ -
Public works	348,085	-
Health and social services	9,469	-
Culture and recreation	181,152	-
Community and economic development	226,156	-
General government	131,735	-
Debt service	290,524	-
Capital projects	518,952	-
Business type activities	-	2,674,343
Total disbursements	<u>\$ 1,947,463</u>	<u>\$ 2,674,343</u>
Excess (deficiency) of receipts over (under) disbursements	\$ (252,123)	\$ 323,096
Other financing sources, net	<u>742,159</u>	<u>4,091</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	\$ 490,036	\$ 327,187
Balances beginning of year	<u>997,051</u>	<u>906,638</u>
Balances end of year	<u><u>\$ 1,487,087</u></u>	<u><u>\$ 1,233,825</u></u>

See accompanying independent auditors' report.

Net	Budgeted Amounts		Final to Net Variance
	Original	Final	
\$ 586,025	\$ 587,668	\$ 587,668	\$ (1,643)
-	-	-	-
99,065	92,452	92,452	6,613
560	5,300	5,300	(4,740)
92,819	35,150	50,150	42,669
634,435	340,170	340,170	294,265
3,243,334	3,081,220	3,251,220	(7,886)
36,541	316,150	416,150	(379,609)
<u>\$ 4,692,779</u>	<u>\$ 4,458,110</u>	<u>\$ 4,743,110</u>	<u>\$ (50,331)</u>
\$ 241,390	\$ 300,374	\$ 320,374	\$ 78,984
348,085	378,905	388,905	40,820
9,469	8,760	8,760	(709)
181,152	162,771	172,771	(8,381)
226,156	138,975	238,975	12,819
131,735	136,195	141,195	9,460
290,524	367,280	367,280	76,756
518,952	1,050,000	1,050,000	531,048
2,674,343	2,770,445	2,840,445	166,102
<u>\$ 4,621,806</u>	<u>\$ 5,313,705</u>	<u>\$ 5,528,705</u>	<u>\$ 906,899</u>
\$ 70,973	\$ (855,595)	\$ (785,595)	\$ 856,568
746,250	820,000	820,000	(73,750)
\$ 817,223	\$ (35,595)	\$ 34,405	\$ 782,818
1,903,689	1,678,781	1,705,335	198,354
<u>\$ 2,720,912</u>	<u>\$ 1,643,186</u>	<u>\$ 1,739,740</u>	<u>\$ 981,172</u>

City of Traer

Notes to Required Supplementary Information – Budgetary Reporting

June 30, 2008

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$215,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2008, disbursements exceeded the amounts budgeted in health and social services and culture and recreation.

City of Traer
Schedule of Indebtedness
Year ended June 30, 2008

Obligation	Date of Issue	Interest Rates	Amount Originally Issued
General obligation bonds:			
Series 2000	May 15, 2000	4.9-5.5%	\$ 400,000
Series 2001	May 1, 2001	4.0-4.7%	300,000
Series 2003	Aug 1, 2003	1.75-3.9%	500,000
Series 2005	Jun 1, 2005	2.95-4.20%	1,250,000
Series 2007	Aug 20, 2007	3.9-4.3%	750,000
Total			
Revenue notes:			
Electric Capital Loan Note	May 1, 2003	2.5-4.7%	\$ 1,750,000
Revenue bonds:			
FMHA Water Bond	Jan 1, 1982	5.00%	\$ 871,200
Total			
State revolving loans:			
2001 Sewer Revenue Bond	Aug 3, 2001	4.30%	\$ 757,000
2003 Sewer Revenue Bond	Aug 5, 2003	4.30%	101,000
Total			

See accompanying independent auditors' report.

Schedule 2

Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid	Interest Due and Unpaid
\$ 100,000	\$ -	\$ 30,000	\$ 70,000	\$ 5,470	\$ -
140,000	-	45,000	95,000	6,440	-
420,000	-	40,000	380,000	14,095	-
1,180,000	-	80,000	1,100,000	43,778	-
-	750,000	-	750,000	24,042	-
<u>\$ 1,840,000</u>	<u>\$ 750,000</u>	<u>\$ 195,000</u>	<u>\$ 2,395,000</u>	<u>\$ 93,825</u>	<u>\$ -</u>
\$ 1,385,000	\$ -	\$ 100,000	\$ 1,285,000	\$ 56,728	\$ -
505,846	-	26,118	479,728	25,536	-
<u>\$ 1,890,846</u>	<u>\$ -</u>	<u>\$ 126,118</u>	<u>\$ 1,764,728</u>	<u>\$ 82,264</u>	<u>\$ -</u>
\$ 622,000	\$ -	\$ 30,000	\$ 592,000	\$ 26,746	\$ -
85,000	-	4,000	81,000	2,550	-
<u>\$ 707,000</u>	<u>\$ -</u>	<u>\$ 34,000</u>	<u>\$ 673,000</u>	<u>\$ 29,296</u>	<u>\$ -</u>

City of Traer
Bond and Note Maturities

June 30, 2008

General Obligation Bonds											
	Series 2000		Series 2001		Series 2003		Series 2005		Series 2007		
Year	Issued May 15, 2000		Issued May 1, 2001		Issued Aug 1, 2003		Issued June 1, 2005		Issued August 20, 2007		
Ending	Interest		Interest		Interest		Interest		Interest		
June 30,	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	Rates	Amount	Total
2009	5.50%	\$ 35,000	4.60%	\$ 50,000	2.70%	\$ 40,000	3.20%	\$ 90,000	3.90%	\$ 50,000	\$ 265,000
2010	5.50%	35,000	4.70%	45,000	3.00%	40,000	3.30%	100,000	3.95%	55,000	275,000
2011	-	-	-	-	3.20%	45,000	3.40%	95,000	4.00%	60,000	200,000
2012	-	-	-	-	3.40%	45,000	3.55%	115,000	4.00%	65,000	225,000
2013	-	-	-	-	3.60%	50,000	3.65%	100,000	4.05%	70,000	220,000
2014	-	-	-	-	3.70%	50,000	3.80%	105,000	4.10%	70,000	225,000
2015	-	-	-	-	3.80%	55,000	3.90%	100,000	4.13%	75,000	230,000
2016	-	-	-	-	3.90%	55,000	4.00%	100,000	4.15%	75,000	230,000
2017	-	-	-	-	-	-	4.10%	100,000	4.20%	80,000	180,000
2018	-	-	-	-	-	-	4.15%	100,000	4.25%	85,000	185,000
2019	-	-	-	-	-	-	4.20%	95,000	4.30%	65,000	160,000
Total	\$	70,000	\$	95,000	\$	380,000	\$	1,100,000	\$	750,000	\$ 2,395,000

Revenue Bonds/Notes						Revenue Loans				
Year Ending June 30,	Revenue Capital Loan Note		Revenue Bond		Total	State Revolving Loan		State Revolving Loan		Total
	Electric Series 2003		FMHA Water Bond			2001 Sewer		2003 Sewer		
	Issued May 1, 2003		Issued Jan 1, 1982			Issued Aug 3, 2001		Issued Aug 5, 2003		
	Interest Rates	Amount	Interest Rates	Amount		Interest Rates	Amount	Interest Rates	Amount	
2009	3.30%	\$ 105,000	5.00%	\$ 27,696	\$ 132,696	4.30%	\$ 32,000	3.00%	\$ 4,000	\$ 36,000
2010	3.60%	110,000	5.00%	29,081	139,081	4.30%	33,000	3.00%	4,000	37,000
2011	3.85%	115,000	5.00%	30,535	145,535	4.30%	34,000	3.00%	5,000	39,000
2012	4.00%	120,000	5.00%	32,062	152,062	4.30%	36,000	3.00%	5,000	41,000
2013	4.10%	125,000	5.00%	33,665	158,665	4.30%	38,000	3.00%	5,000	43,000
2014	4.25%	130,000	5.00%	35,348	165,348	4.30%	39,000	3.00%	5,000	44,000
2015	4.40%	135,000	5.00%	37,116	172,116	4.30%	41,000	3.00%	5,000	46,000
2016	4.50%	140,000	5.00%	38,972	178,972	4.30%	43,000	3.00%	5,000	48,000
2017	4.60%	150,000	5.00%	40,920	190,920	4.30%	44,000	3.00%	6,000	50,000
2018	4.70%	155,000	5.00%	42,966	197,966	4.30%	46,000	3.00%	6,000	52,000
2019	-	-	5.00%	45,114	45,114	4.30%	48,000	3.00%	6,000	54,000
2020	-	-	5.00%	47,370	47,370	4.30%	50,000	3.00%	6,000	56,000
2021	-	-	5.00%	38,883	38,883	4.30%	53,000	3.00%	6,000	59,000
2022	-	-	-	-	-	4.30%	55,000	3.00%	6,000	61,000
2023	-	-	-	-	-	-	-	3.00%	7,000	7,000

See accompanying independent auditors' report.

City of Traer

Schedule of Receipts By Source and Disbursements By Function -
All Governmental Funds

For the Last Four Years

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Receipts:				
Property tax	\$ 586,025	\$ 529,737	\$ 488,081	\$ 466,425
Tax increment financing collections	-	38,387	30,519	27,954
Other city tax	99,065	98,890	85,221	82,107
Licenses and permits	560	1,157	1,688	2,064
Use of money and property	52,548	48,317	21,673	26,655
Intergovernmental	634,435	658,826	293,987	521,023
Charges for service	286,166	275,814	267,246	122,712
Miscellaneous	36,541	117,090	353,987	191,957
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 1,695,340</u>	<u>\$ 1,768,218</u>	<u>\$ 1,542,402</u>	<u>\$ 1,440,897</u>
Disbursements:				
Operating:				
Public safety	\$ 241,390	\$ 238,436	\$ 277,207	\$ 243,189
Public works	348,085	332,536	343,485	355,075
Health and social services	9,469	9,163	7,882	7,518
Culture and recreation	181,152	153,465	156,602	167,091
Community and economic development	226,156	131,431	104,266	161,551
General government	131,735	134,765	139,770	142,528
Debt service	290,524	321,710	245,761	209,824
Capital projects	518,952	550,686	1,711,090	370,740
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total	<u>\$ 1,947,463</u>	<u>\$ 1,872,192</u>	<u>\$ 2,986,063</u>	<u>\$ 1,657,516</u>

See accompanying independent auditors' report.



Independent Auditors' Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on Audit of Financial Statements Performed in Accordance
with Government Auditing Standards

To the Honorable Mayor, Members of the City Council and
Board of Trustees, Traer Municipal Utilities:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the City of Traer, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated November 21, 2008. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Traer's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City of Traer's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Traer's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies, including deficiencies we consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Traer's ability to initiate, authorize, record, process, or report financial data reliably in accordance with an other comprehensive basis of accounting such that there is more than a remote likelihood a misstatement of the City of Traer's financial statements that is more than inconsequential will not be prevented or detected by the City of Traer's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City of Traer's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal

control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we believe item II-A-08 is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Traer's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City of Traer's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Traer's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Traer; the officials, employees and customers of the Traer Municipal Utilities and other parties to whom the City of Traer and the Traer Municipal Utilities may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Traer, the Traer Municipal Utilities, and the Traer Ambulance Service during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Lines Murphy & Company, P. L. C.
Certified Public Accountants
Osage, Iowa
November 21, 2008

City of Traer

Schedule of Findings

Year ended June 30, 2008

Part I: Summary of the Independent Auditors' Results:

- (a) Unqualified opinions were issued on the financial statements which were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.
- (b) Reportable conditions in internal control over financial reporting were disclosed by the audit of the financial statements, including a material weakness.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

City of Traer

Schedule of Findings

Year ended June 30, 2008

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

REPORTABLE CONDITIONS:

II-A-08 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits and the posting of the cash receipts to the cash receipts journal are all done by the same person.

Recommendation – We realize segregation of duties is difficult with a limited number of office employees. However, the City and the Utility should review control procedures to obtain the maximum internal control possible under the circumstances.

Response – We will consider this.

Conclusion – Response acknowledged. The City and Utility should segregate duties to the extent possible with existing personnel and utilize administrative personnel to provide additional control through review of financial transactions and reports.

City of Traer

Schedule of Findings

Year ended June 30, 2008

Part III: Other Findings Related to Statutory Reporting:

III-A-08 Certified Budget – Disbursements during the year ended June 30, 2008 exceeded the amounts budgeted in the health and social services, and culture and recreation. Chapter 384.20 of the Code of Iowa states in part, “Public monies may not be expended or encumbered except under an annual or continuing appropriation.”

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

III-B-08 Questionable Disbursements – Certain disbursements we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 since the public benefits to be derived have not been clearly documented were noted. These disbursements are detailed as follows:

Paid to	Purpose	Amount
Traer Development Corp.	Sowing Seeds Program Brothers and Sisters in Christ Rent and pay custom farm costs	\$7,363

According to the opinion, it is possible for such disbursements to meet the test of serving a public purpose under certain circumstances, although such items will certainly be subject to a deserved close scrutiny. The line to be drawn between a proper and improper purpose is very thin.

Recommendation – The Council should determine and document the public purpose served by these disbursements before authorizing any further payments. If this practice is continued, the City should establish written policies and procedures, including the requirements for proper documentation.

Response – We will comply with this recommendation.

Conclusion – Response accepted.

III-C-08 Travel Expense – No disbursements of City money for travel expenses of spouses of City officials or employees were noted.

City of Traer

Schedule of Findings

Year ended June 30, 2008

- III-D-08 Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Jake Schmitt, Part Owner of Wieck Brothers Oil Company	Gasoline and diesel	\$ 21,069

In accordance with Chapter 362.5(10) of the Code of Iowa, this amount appears to represent a conflict of interest. The amount is over \$1,500 and bids were not taken.

Recommendation – The City should consult legal counsel to determine the disposition of this matter.

Response – The City will contact legal counsel.

Conclusion – Response accepted.

- III-E-08 Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.

- III-F-08 Council Minutes – No transactions were found that we believe should have been approved in the Council and Board minutes but were not.

- III-G-08 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.

- III-H-08 Revenue Bonds and Notes – No instances of non-compliance with the revenue bond and note resolution were noted.

- III-I-08 Telecommunications Services – No instances of non-compliance with Chapter 388.10 of the Code of Iowa were noted.

- III-J-08 Employee Benefits Levy – Chapters 384 and 403 of the Code of Iowa state, in part, that the employee benefits levy should be recorded in a separate Special Revenue Fund. The City is recording the employee benefits tax levy in the General Fund.

Recommendation – Collections from employee benefits tax levy should be recorded in separate Special Revenue Funds in accordance with Chapters 384 and 403 of the Code of Iowa.

Response – The City will review their fund structure.

Conclusion – Response accepted.

City of Traer

Schedule of Findings

Year ended June 30, 2008

III-K-08 Discriminatory Rates – We noted that the City charges two rates for garbage based on age. Chapter 388.6 of the Code of Iowa states, in part, that there cannot be special rates based on discriminatory factors. (senior citizens)

Recommendation – The City should consult legal council about this issue.

Response – The City will consult legal council.

Conclusion – Response accepted.

III-L-08 Outstanding Checks – Unclaimed property per Chapter 556.1(10) of the Code of Iowa has not been reported to the State Treasurer as required.

Recommendation – The City should comply with Chapter 556.1(10) of the Code of Iowa.

Response – We will do so.

Conclusion – Response accepted.

City of Traer

Required Supplementary Information

Other Supplementary Information

City of Traer

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
(Before January 2007)		
Russell L. Drinovsky	Mayor	Jan 2008
Mark A. Mason	Mayor Pro tem	Jan 2008
Dean R. Ohrt	Council Member	Jan 2008
Mark A. Mason	Council Member	Jan 2008
Raymond Mundt	Council Member	Jan 2008
Patty Guzman	Council Member	Jan 2010
Lou Rausch	Council Member	Jan 2010
Jon Panfil	City Clerk	Indefinite
Dorothy Weida	Deputy Clerk	Indefinite
Marc Powell	City Attorney	Indefinite
Cecilia Harmsen	City Treasurer	Indefinite
Randy D. Magnussen	TMU Trustee/Chairman	Jan 2009
Bruce A. Overton	TMU Trustee	Jan 2007
Daniel M. Larmore	TMU Trustee	Jan 2008
Sandra J. Whannel	TMU Trustee	Jan 2010
Richard Thompson	TMU Trustee	Jan 2012
Pat Stief	General Manager	Indefinite
Jon Panfil	Office Manager	Indefinite
(After January 2007)		
Russell L. Drinovsky	Mayor	Jan 2008
Mark A. Mason	Mayor Pro tem	Jan 2008
Dean R. Ohrt	Council Member	Jan 2008
Mark A. Mason	Council Member	Jan 2008
Raymond Mundt	Council Member	Jan 2008
Patty Guzman	Council Member	Jan 2010
Lou Rausch	Council Member	Jan 2010
Jon Panfil	City Clerk	Indefinite
Dorothy Weida	Deputy Clerk	Indefinite
Marc Powell	City Attorney	Indefinite
Cecilia Harmsen	City Treasurer	Indefinite
Bruce A. Overton	TMU Trustee/Chairman	Jan 2013
Daniel M. Larmore	TMU Trustee/Vice Chairman	Jan 2008
Joe Morris	TMU Trustee	Jan 2009
Sandra J. Whannel	TMU Trustee	Jan 2010
Richard Thompson	TMU Trustee	Jan 2012
Pat Stief	General Manager	Indefinite
Jon Panfil	Office Manager	Indefinite

City of Traer

Statement of Cash Receipts, Disbursements
and Changes in Cash Balances
Nonmajor Governmental Fund

As of and for the year ended June 30, 2008

	Special Revenue
	Local Option Sales Tax
Receipts:	
Other city tax	\$ 91,259
Disbursements:	
Operating:	
Community and economic development	\$ 86,208
Excess of receipts over disbursements	\$ 5,051
Other financing sources:	
Operating transfers in	\$ 6,905
Net change in cash balances	\$ 11,956
Cash balances beginning of year	104,926
Cash balances end of year	\$ 116,882
Cash Basis Fund Balances	
Unreserved:	
Special revenue funds	\$ 116,882
Total cash basis fund balances	\$ 116,882

See accompanying independent auditors' report.

Basic Financial Statements